



Michigan Conference AAUP

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Oversight, Reform and Ethics Committee of the Michigan House
Senate Bill 7 and SJRC
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I am writing to **oppose** the passage of Senate Bill 7 and SJR-C for several reasons:

1. SJR-C seeks a constitutional change to allow for public universities to fall under SB 7. This joint resolution seeks for the State to have greater control over our public institutions than previously configured by the State Constitution. However, in 2011, the State of Michigan supports only 20% of the total revenues of most public institutions in the State. In the 1960's, the State supported close to 70% of the total revenues. Given that the State is not the major source of revenue for our public institutions, it is not appropriate for this constitutional change to be enacted.
2. The extra costs to employees and their families could be devastating. For example, employees at Eastern Michigan University, pay approximately 10 to 15% of the premium. If they were to pay 20%, the extra 5% to 10% could be devastating for some employees and their families.
 - a. Consider a new faculty member at EMU with a family and a starting salary of \$50,000 (this is typical, as the average salary is \$71000).
 - b. Assume that person currently pays \$1,000 towards the health care premium.
 - c. Assume the average cost in 2013 will be \$12,500 for a person/family (up from \$10,000 now).
 - d. 20% of \$12,500 is \$2,500 per year.
 - e. Asking this employee to pick up an additional \$1,500 is the same as asking this employee to take a pay cut of 3%.
 - f. For a person making \$50,000 per year, a 3% or \$1,500 cut in pay is catastrophic. **It is possible that people will opt out of coverage due to the lack of affordability.**
 - g. Now consider a secretary at a public institution a \$30,000 salary. If this person is asked to pick up an additional \$1,500 out of pocket, this amounts to a 5% cut in pay. This person will simply not be able to afford an additional \$1,500. **They will either have to go without coverage or face severe financial hardship.** In our collective bargaining situations, employees often pay a percentage of salary for health care, so that lower paid employees are not adversely affected by increasing out of pocket costs. SB 7 will do significant harm to employees with lower incomes.
3. SB 7 ignores the many trade-offs that our bargaining units have made over the years, and puts all of us in a one-size-fits all box.
 - a. During contract negotiations, the public employees at collective bargaining universities in Michigan understand that there is only so much money to

compensate faculty. Over the years, faculty members have made different trade-offs in terms of how much to receive in compensation, benefits, and retirement contributions. Consider that some university faculty pay high health care premiums, but have higher salaries and retirement contributions made by their employer. Other universities pay lower health care costs, but have lower salaries and lower retirement contributions.

- b. If SB 7 passes, these trade-offs will have been ignored. Over many years, different collective bargaining units have made different choices with regards to compensation and health care. SB 7 is really a big government, one-size fits all bill. It does not let individual units negotiate what is most appropriate for their members in their communities.
4. SB 7 takes away employee options that allow people to choose plans that fit their medical needs best
- a. The bill seems to focus only on the premium, and not on the other costs. This is very problematic, as many of our university employees have a choice among health care plans. By allowing people to choose health care payment mechanisms that fit their needs best, the dollars in the health care system are utilized most efficiently.
5. By mandating high out-of-pocket health care costs, and given the lower salaries many Michigan public faculty receive, it will be more difficult to attract faculty to the State of Michigan, with fewer tax dollars being received by the State.